

Message Text

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70

ACTION EB-07

INFO OCT-01 ARA-10 IO-11 ISO-00 AGR-10 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 FEA-01

XMB-04 /120 W

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P R 202245Z FEB 76

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC PRIORITY 3133

INFO USDEL MTN GENEVA

UNCLAS MEXICO 2273

E.O. 11652: N/A

TAGS: ETRD, MTN, MX

SUBJ: US WINE QUOTA

REF: MEXICO 1843

1. IN FIRST MEETING WITH OFFICIALS OF DIRECCION GENERAL DE COMERCIO, SECRETARIAT OF INDUSTRY AND COMMERCE (SIC) ON MECHANISM FOR IMPLEMENTATION OF 15,000 CASE QUOTA FOR US WINES (SEE PARA 3 REFTTEL), POTENTIAL PROBLEM AROSE. UNDER GOM GENERAL POLICY ON WINE IMPORTS, SIC IS CHARGED WITH PROVIDING DOMESTIC WINE INDUSTRY WITH ADEQUATE CUSHION OF PROTECTION AGAINST COMPETITION FROM IMPORTS. THIS IS ACHIEVED THROUGH HIGH CUSTOMS DUTY AND BY LIMITED WINE IMPORTS TO HIGHER PRICED VARIETIES. IN GENERAL, MINIMUM PRICE FOR IMPORTED WINES IS \$12 PER CASE AT THE WINERY; THIS APPLIES TO SUCH MAJOR EXPORTING COUNTRIES AS FRANCE, GERMANY, ITALY, ETC. MEXICO HAS A SPECIAL AGREEMENT WITH SPAIN UNDER WHICH THE MINIMUM PRICE FOR A CASE OF SPANISH WINE IS \$10. WINES COMING FROM LAFTA-MEMBER COUNTRIES MUST HAVE A MINIMUM PRICE OF \$5 PER CASE. SIC OFFICIALS

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INDICATED THAT THE GOM IS PLANNING TO SET PRICE OF \$15

PER CASE FOR US WINES. THE JUSTIFICATION FOR THE HIGHER PRICE WOULD BE THE GREATER PROXIMITY OF US PRODUCERS TO THE MEXICAN MARKET AND RESULTING LOWER SHIPPING COSTS.

2. WHILE SIC OFFICIALS EMPHASIZED THAT TALKS ONLY EXPLORATORY AT THIS STAGE AND NOTHING DEFINITE HAS BEEN DECIDED AS YET, EMBOFF INDICATED THAT THE IMPOSITION OF A MINIMUM PRICE FOR US WINES IN EXCESS OF \$12 WOULD BE CONSIDERED DISCRIMINATORY BY THE USG AND THUS UNACCEPTABLE. EMBASSY, WILL NOT KNOW UNTIL NEXT MEETING, PROBABLY BEGINNING OF NEXT WEEK, WHAT POSITION GOM WILL FINALLY DECIDE TO TAKE ON THIS MATTER. HOWEVER, IF WE CONTINUED TO INSIST ON THIS POINT WE MAY JEOPARDIZE QUOTA AUTHORIZATION ITSELF. EMBASSY WOULD LIKE DEPARTMENT'S VIEWS, AND PERHAPS DEPARTMENT MAY WISH TO CONSULT WITH REPRESENTATIVES OF US WINE INDUSTRY AND DETERMINE WHETHER \$15 MINIMUM WOULD IN FACT SERIOUSLY LIMIT ABILITY OF US WINE INDUSTRY TO EXPORT TO MEXICO. EMBASSY REQUIRES THIS INFORMATION ASAP.

3. EMBASSY RECOMMENDED (PARA 4 75 MEXICO 8231 AND PARA 6 75 MEXICO 5714) AND WINE INSTITUTE'S WASHINGTON REPRESENTATIVE SILVERMAN AGREED (75 STATE 234754) THAT, AT LEAST INITIALLY, IT IS ESSENTIAL THAT US PRODUCERS MARKET ONLY THEIR BETTER QUALITY WINES IN MEXICO IN ORDER TO MAKE MOST FAVORABLE FIRST IMPRESSION ON CONSUMERS. PERHAPS ACCEPTANCE BY USG OF \$15 MINIMUM WOULD HELP US ACHIEVE THIS PURPOSE BY FORCIBLY EXCLUDING THE CHEAPER WINES. EMBASSY WOULD ALSO APPRECIATE DEPARTMENT'S VIEWS ON ABOVE CONSIDERATION.
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